

Message Text

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TO SECSTATE WASH DC IMMEDIATE 6217

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PASS TREASURY FOR COOPER

E.O. 11652: N/A

TAGS: EFIN, OECD

SUBJECT: DRAFT REPORT BY VAN YPERSELE ON OECD SUPPORT
FUND

1. SECRETARIAT HAS ISSUED DOCUMENT AD HOC C/WP(75)17
(LST REVISION) DATED MARCH 26, 1975, CONTAINING DRAFT
REPORT BY THE CHAIRMAN OF THE SUPPORT FUND WORKING PARTY
TO THE OECD COUNCIL AND TO THE MINISTERIAL MEETING ON
APRIL 9. COMMENTS OR SUGGESTED AMENDMENTS TO THE REPORT
SHOULD BE SENT TO THE SECRETARIAT BY WEDNESDAY, APRIL 2.

2. EARLIER VERSION OF DRAFT REPORT, WHICH WAS LABELED

"2ND DRAFT", AND DATED MARCH 2LST, 1975 HAS BEEN
HAND-CARRIED TO WASHINGTON. THE FOLLOWING INDICATE THE
CHANGES WHICH ARE CONTAINED IN THE NEW VERSION OF THE
REPORT. TITLE IS CHANGED TO READ AS FOLLOWS: DRAFT
REPORT BY THE CHAIRMAN OF THE WORKING PARTY TO THE
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COUNCIL AND TO THE MINISTERIAL MEETING ON 9TH APRIL,

1975.

IN PARAGRAPH 3 OF THE INTRODUCTION, PERIOD IS CHANGED TO COMMA, AND THE WORDS "TOGETHER WITH A CORRIGENDUM" ADDED AT THE END.

PARAGRAPH 1 OF THE MAIN PROVISIONS IS AMENDED TO READ AS FOLLOWS:

1. THE FINANCIAL SUPPORT FUND IS TO BE SET UP IN THE FRAMEWORK OF THE OECD. MEMBERSHIP OF IT WILL BE OPEN TO ALL OECD COUNTRIES AND THE AGREEMENT WILL BE OPEN FOR SIGNATURE BY FOUNDER MEMBERS BETWEEN 9TH APRIL AND 31ST MAY, 1975.

THE SECOND SUB-HEADING IS CHANGED TO READ AS FOLLOWS:
"THE OBJECTIVES AND NATURE OF THE FUND"

THE FIRST SENTENCE OF PARAGRAPH 2 SHOULD READ "AND ASSIST ITS MEMBERS": (DELETE COUNTRIES)

PARAGRAPH 3 IS AMENDED TO READ AS FOLLOWS:

3. THE FUND WILL PROVIDE A FRAMEWORK IN WHICH WHICH ITS MEMBERS CAN REINFORCE THEIR ECONOMIC CO-OPERATION AND PROVIDE MUTUAL FINANCIAL SUPPORT. AN ESSENTIAL FEATURE IS THAT THE RISKS ON LOANS BY THE FUND WILL BE SHARED AMONG ALL MEMBERS, IN PROPORTION TO THEIR QUOTAS AND SUBJECT TO THE LIMITS OF THEIR QUOTAS, HOWEVER THE LOANS ARE FINANCED.

PARAGRAPH 4, BEFORE THUS, THE FUND, ADD: THE FUND IS INTENDED TO HELP DEAL WITH THE DIFFICULTIES INHERENT IN THE CURRENT ECONOMIC SITUATION. IT HAS THE CAPACITY, ESTABLISHED FOR A PERIOD OF TWO YEARS FROM THE ENTRY INTO FORCE OF THE AGREEMENT, TO GRANT LOANS, IN EXCEPTIONAL CASES, TO SUPPLEMENT OTHER SOURCES OF CREDIT TO WHICH MEMBERS ENCOUNTERING SERIOUS ECONOMIC DIFFICULTIES HAVE HAD RECOURSE.

PARAGRAPH 4, DELETE LAST SENTENCE: IT IS POSSIBLE....
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FACILITIES.

PARAGRAPH 5: SECOND LINE SHOULD BE PLACED AFTER "BASIS FOR DETERMINING" AFTER WHICH NOW READ:
- THEIR SHARES IN THE FINANCING OF LOANS AND
- THE AMOUNT THEY MAY BORROW FROM THE FUND.

PARAGRAPH 7: FIRST INDENTATION, REPLACE

"SEVERE" WITH "SERIOUS"

PARAGRAPH 8: LAST SENTENCE, CHANGE COMMA TO PERIOD
AND DELETE "USING THE REVIEW....OTHER BODIES."

PARAGRAPH 9: LAST SENTENCE, BEGIN " THE PRECISE
FINANCIAL TERMS AND THE DATE, OR DATES, OF TRANSFER...."

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PARAGRAPH 10: BEGIN AS FOLLOWS: "SUCH A DECISION WILL
...."

FOOTNOTE (L): READ "MEMBERS MAY BE EXEMPTED" FOR
"MEMBERS MAY BE EXCLUDED".

PARAGRAPH 13: FIRST INDENTATION--ADD "UPON" AFTER
CALLED AND BEFORE PROVIDES.

PARAGRAPH L6: AMEND TO READ AS FOLLOWS: EXEMPTION FROM THE CALLS FOR FINANCING: UNDER THIS METHOD THE BORROWER WILL BE EXCLUDED FROM THE CALLS FOR FINANCING, AND THERE ARE SPECIAL PROVISIONS UNDER WHICH OTHER MEMBERS MAY BE EXEMPTED FROM THE CALLS, IN VIEW OF THEIR PRESENT OR PROSPECTIVE BALANCE-OF-PAYMENTS SITUATION. SUCH EXEMPTION WILL BE DECIDED UPON, BY A TWO THIRDS MAJORITY VOTE, PRIOR TO THE DECISION ON THE GRANTING OF A LOAN AND ITS FINANCING REFERRED TO IN LIMITED OFFICIAL USE

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PARAGRAPH 9 ABOVE. THIS MAJORITY MUST INCLUDE AT LEAST HALF THE MEMBERS.

ADD TO END OF PARAGRAPH L8:OF THE LOAN. THIS MAJORITY MUST INCLUDE AT LEAST HALF THE MEMBERS.

PARAGRAPH 20, AFTER SECOND SENTENCE, AMEND AS FOLLOWS: ON THAT BORROWING.....THIS ALLOWANCE WILL INVOLVE A DRAWING ON THE MEMBER'S QUOTA, ADDITIONAL TO ITS SHARE IN THE FINANCING; AND, FOR EASREASONNS OF EQUITY, THE QUOTAS OF ALL THE OTHER MEMBERS PARTICIPATING IN THE FINANCING WILL BE DRAWN ON BY AN ADDITIONAL AMOUNT WHICH REPRESENTS THE SAME PROPORTION OF EACH MEMBER'S SHARE IN THE FINANCING (SO THAT THEIR LIABILITY TO PROVIDE FURTHER FINANCING IS REDUCED IN THE SAME PROPORTIONS).

PARAGRAPH 2L, SECOND SENTENCE, READ: IF IT IS DECIDED TO FINANCE A LOAN IN THIS WAY, NO MBMBER WILL BE EXEMPTED FROM PARTICIPATION IN THE COLLECTIVE GUARANTEE.

PARAGRAPH 26: THE PRACTICABILITY OF FINANCING, IN THE INITIAL STAGE, BY INDIVIDUAL COMMITMENTS, WILL BE CONSIDERABLY ENHANCED BY THE FACILITIES OFFERED BY THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS). THE BANK COULD GIVE CREDITS TO THE CENTRAL BANKS OF MEMBERS CALLED UPON TO PROVIDE DIRECT FINANCING AND UNDER CERTAIN CONDITIONS, COULD MAKE LOANS TO THE FUND IN CONNECTION WITH FINANCING BASED ON THE INDIVIDUAL GUARANTEES OF MEMBERS.

PARAGRAPHS 29, 30, AND 31 SHOULD BE RENUMBERED 28, 29 AND 30, KEEPING THE TITLE AS IS. PARAGRAPH 28, WITH ITS HEADING, SHOULD NOW READ PARAGRAPH 31. ADD THE FOLLOWING PARAGRAPHS:

RISK-SHARING

32. IN THE EXTREMELY UNLIKELY EVENT OF A BORROWER BEING

UNABLE TO MAKE A PAYMENT ON THE DUE DATE, THE FUND WILL
OBTAIN THE AMOUNT REQUIRED TO MEET ITS OBLIGATIONS TO
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LENDERS, IN RESPECT OF ITS BORROWING IN FINANCIAL
MARKETS, BY CALLING ON THE GUARANTORS TO PROVIDE THE
FUNDS AND BY DRAWING ON THE BALANCE ON ITS INCOME AND
EXPENDITURE ACCOUNT. IT WILL THEN MEET ITS OBLIGATIONS
(IN RESPECT OF DIRECT FINANCING OR TRANSFERS UNDER
GUARANTEES) TO THE MEMBERS WHICH FINANCED THE LOAN CON-
CERNED, BY CALLING ON ALL MEMBERS, INCLUDING BORROWERS
AND THOSE EXEMPTED FROM CALLS FOR FINANCING, IT BEING
ONE OF THE ESSENTIAL FEATURES OF THE FUND THAT THE RISKS
ON ITS LOANS ARE SHARED BETWEEN ALL MEMBERS. THIS MULTI-

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LATERAL SHARING OF RISKS WILL BE BASED ON THE OBLIGATIONS AND CLAIMS CALCULATED AS IF THEY HAD BEEN DENOMINATED IN SDR. THE DIFFERENCES BETWEEN THE AMOUNTS AS DENOMINATED IN CURRENCY AND THE AMOUNTS CALCULATED ON THIS BASIS WILL BE CARRIED OVER, TO BE REPAID AS A RESULT OF SUBSEQUENT PAYMENTS BY THE BORROWER, OR TO BE SETTLED ON LIQUIDATION, BILATERALLY BETWEEN THE BORROWER AND THE MEMBERS CONCERNED.

INTERPRETATION AND AMENDMENT

33. ANY QUESTION OF INTERPRETATION OF THE PROVISIONS OF THE AGREEMENT, ARISING BETWEEN ANY MEMBER AND THE FUND, OR BETWEEN MEMBERS, WILL BE REFERRED TO AN AD HOC COMMITTEE OF THREE EXPERTS DESIGNATED BY THE GOVERNING COMMITTEE ON THE PROPOSAL OF ITS CHAIRMAN. THE OPINION OF THE MAJORITY OF THE AD HOC COMMITTEE WILL BE ACCEPTED BY THE GOVERNING COMMITTEE, UNLESS THE LATTER DECIDES OTHERWISE BY A MAJORITY VOTE (THE MAJORITY MUST INCLUDE LIMITED OFFICIAL USE

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AT LEAST HALF OF THE MEMBERS).

34. AMENDMENTS TO THE AGREEMENT MAY BE PROPOSED BY UNANIMOUS DECISION OF THE MEMBERS OF THE GOVERNING COMMITTEE AND WILL, TO THE EXTENT REQUIRED BY THEIR CONSTITUTIONAL PROCEDURES, BE SUBJECT TO RATIFICATION BY MEMBER COUNTRIES.

LIQUIDATION

35. THE FUND WILL REMAIN IN EXISTENCE UNTIL IT HAS DISCHARGED ALL ITS OBLIGATIONS TO THIRD PARTIES AND THE LAST REPAYMENT OF ANY LOAN MADE BY IT HAS FALLEN DUE. AT THAT TIME THE FUND WILL BE LIQUIDATED, UNLESS THE GOVERNING COMMITTEE DECIDES OTHERWISE BY A 70 PER CENT MAJORITY. THERE ARE LIQUIDATION PROVISIONS IN THE AGREEMENT UNDER WHICH ANY REMAINING ASSETS AND LIABILITIES OF THE FUND ARE CONVERTED INTO BILATERAL CLAIMS AND DEBTS.

PARAGRAPH 32 (AND ITS TITLE) NOW BECOMES 36. LAST SENTENCE IN NEW PARAGRAPH 36: REPLACE FIRST WORD "HOWEVER" WITH "MOREOVER."

ANNEX. QUOTAS.

TABLE SHOULD BE CHANGED TO SHOW BELGIUM BY ITSELF. LUXEMBOURG SHOULD BE ADDED AFTER JAPAN. FIGURES UNDER "AS PER CENT OF TOTAL QUOTAS" SHOULD SHOW BELGIUM 2.4,

LUXEMBOURG 0.1. TITLE SDR (MILLION) SHOULD BE CHANGED
TO READ "AMOUNTS ESTABLISHED IN SDR (MILLION)" BELGIUM
480, LUXEMBOURG 20. ADD FOLLOWING COLUMN:

COUNTRIES	EQUIVALENT IN U.S. DOLLARS (MILLION) AT 21.3.75
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AUSTRALIA	377
AUSTRIA	251
BELGIUM	603
CANADA	1054
DENMARK	301

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FRANCE	2133

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NEW ZEALAND	201
NORWAY	251
PORTUGAL	151
SPAIN	628
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UNITED STATES	6978

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Message Attributes

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Disposition Authority: GolinoFR
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